

PAO 84-0173

20 April 1984

AH. ER 84-715

MEMORANDUM TO: Director of Central Intelligence
FROM: George V. Lauder
Director, Public Affairs
SUBJECT: Invitation to Address the Seattle Rotary Club

1. Action Requested: Accept or decline an invitation to address the Seattle Rotary Club Luncheon meeting on Wednesday, 13 June, at the Seattle Sheraton Hotel.

2. Background: Fenwick J. Crane, President of the Seattle Rotary Club and President and Chairman of the Board of Family Life, has invited you to address the Seattle Rotary Club. The usual format for a luncheon is 15 to 20 minutes of Rotary business immediately following lunch, with the main speaker introduced at approximately 1:00 p.m. The meeting adjourns at 1:30 p.m.

This invitation is obviously a result of your earlier discussion with T. Wilson, Chairman Boeing Co. He recently called Jim Hirsch asking again that you speak at the Rotary Club. Your office was called to check available dates on your calendar. DDS&T passed the information on to [redacted] STAT office. Although no commitment was made, the information was misinterpreted as an acceptance -- hence the letter (see opposite) stating that you had agreed to speak. They now request that you consider the letter as an invitation.

Seattle Rotary is the fourth oldest and second largest of all Rotary Clubs. They have over 775 of the leading business and professional men in the greater Seattle area as members. According to the letter, the Seattle Rotary is a leading forum in the northwest for speakers wanting to bring a message to the business leaders in the area. Recent speakers include: Sir Oliver Wright, British Ambassador to the U.S.; Senator Dan Evans (R WA); Donald Kendall, Chairman Pepsico; Secretary of the Air Force Verne Orr; Allan Gottlieb, Canadian Ambassador; Sharon Percy Rockefeller; Don Pedersen, President Ford Motor Company; and [redacted]

DCI
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P.306

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3. Recommendation: You indicated to me you would like to do this when convenient. DDS&T said they can arrange a briefing and tour of Boeing if you decide to go to Seattle. Since you will be addressing the American Stock Exchange Washington Conference 9:00 A.M. on 12 June, the 13th would not be a convenient date. Perhaps you would like to schedule for the fall. See below for available dates.*



STAT

George V. Lauder

ACCEPT FOR 13 JUNE:

Director of Central Intelligence

Date

TENTATIVELY ACCEPT FOR FALL 1984:

Director of Central Intelligence

Date

* 19 September ✓ 3 October _____ 21 November _____
 or
 26 September ✓ 14 November _____ 28 November _____

2 MAY 1984

DECLINE: 13 June
M. Misur
 Director of Central Intelligence

Date

2 MAY 1984

PAO/KJH/mbm/23 Apr 84/



25X1

Distribution:

Oria - addressee
 1 - ER 84-1715
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1 [redacted] (drop copy)

2

STAT

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		✓		
2	DDCI				
3	EXDIR				
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16	SA/IA				
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	SUSPENSE				

Remarks

Date

STAT

4/16/84

Date

3637 (10-81)



Family Life

Fenwick J. Crane, C.L.U.
President and
Chairman of the Board

Executive Registry
84-1216

April 9, 1984

Mr. William J. Casey, Director
Central Intelligence Agency
Washington, D. C. 20502

Dear Mr. Casey:

I was pleased to hear from [redacted] office that you had agreed to address the Seattle Rotary Club on June 13.

STAT

Seattle Rotary is the fourth oldest and second largest of all Rotary Clubs. We have over 775 of the leading business and professional men in the greater Seattle area as members. Because of the quality of our membership, our club is considered to be the leading forum in the northwest for speakers wanting to bring a message to the business leaders in the area. Among recent speakers are Sir Oliver Wright, British Ambassador to the U.S., Senator Dan Evans, Donald Kendall, Chairman Pepsico, Secretary of the Air Force Verne Orr, T. Wilson, Chairman Boeing Co., Allan Gottlieb, Canadian Ambassador, Sharon Percy Rockefeller and Don Pedersen, President Ford Motor Co.

Our luncheon meetings are held at the downtown Seattle Sheraton Hotel on Wednesday. The usual format for the meeting is 15 to 20 minutes of Rotary business immediately following lunch, with the main speaker introduced at about 1 p.m. The meeting adjourns promptly at 1:30 p.m. We can arrange up to an additional 10 minutes of speaking time if you so desire. Kindly advise us on time when your staff sends biographical data and a black and white picture.

Kindly contact this office if you have any questions. Seattle Rotary looks forward to your visit on June 13.

Sincerely,

President, Seattle Rotary Club

DCI
EXEC
REG

REMARKS OF WILLIAM J. CASEY

DIRECTOR OF CENTRAL INTELLIGENCE

BEFORE

SEATTLE ROTARY CLUB

SEATTLE SHERATON HOTEL
SEATTLE, WASHINGTON

26 SEPTEMBER 1984

IT IS A GREAT PLEASURE TO HAVE THE CHANCE TO GIVE YOU A QUICK VIEW OF AMERICAN INTELLIGENCE AND WHAT IT WORRIES ABOUT. MANY OF YOU HERE IN THE SEATTLE AREA ARE INVOLVED THROUGH YOUR BUSINESSES IN OUR NATIONAL DEFENSE. EVEN MORE OF YOU ARE ENGAGED IN DEVELOPING AND APPLYING NEW TECHNOLOGIES. YOU KNOW WE ARE LIVING IN A CHALLENGING BUT DANGEROUS WORLD WHICH INCREASINGLY IS STEERED AND POWERED BY INFORMATION. THE GOLD STANDARD HAS BEEN REPLACED BY AN INFORMATION STANDARD WITH FACTS FLASHING INSTANTLY AROUND THE WORLD IMPACTING ON THE VOTES, THE POLICIES, DANGERS, THE VALUES AND THE MARKETS WHICH SHAPE THE WORLD WE LIVE IN AND SO PROFOUNDLY AFFECT OUR LIVES.

INTELLIGENCE COLLECTION AND ANALYSIS IS AS OLD AS THE REPUBLIC. GEORGE WASHINGTON WAS A ONE-MAN INTELLIGENCE SERVICE. WITHOUT HIS INSTINCT FOR INTELLIGENCE AND INDEED COVERT ACTION, HIS TINY RAGTAIL ARMY WOULD NEVER HAVE HELD OUT OVER SEVEN YEARS AGAINST THE LARGEST EXPEDITIONARY FORCE THE THEN MOST POWERFUL NATION IN THE WORLD HAD EVER MOBILIZED. BUT FOR MANY YEARS THE U.S. DOWN-PLAYED THE NEED FOR INTELLIGENCE AND AFTER WORLD WAR I DISMANTLED THE INTELLIGENCE MACHINERY DEVELOPED FOR THAT OCCASION. HOWEVER, THE DISASTER OF PEARL HARBOR ONCE AGAIN underscored the importance of having accurate and timely information on threats to our peace and security.

MY PREDECESSORS DEVELOPED AN IMPRESSIVE ARRAY OF TECHNICAL MARVELS--PHOTOGRAPHY, ELECTRONICS, ACOUSTICS AND SEISMIC SENSORS-- TO GATHER FACTS FROM ALL CORNERS OF THE EARTH. ADDITIONAL INFORMATION FLOWS IN FROM FRIENDLY INTELLIGENCE SERVICES AND PEOPLE AROUND THE WORLD WHO WANT TO HELP US. TO SIFT THROUGH AND EVALUATE THIS VIRTUAL NIAGARA OF FACTS, THE AMERICAN INTELLIGENCE COMMUNITY HAS MORE SCHOLARS AND SCIENTISTS THAN A LARGE UNIVERSITY FACULTY, AS WELL AS A LARGE ARRAY OF ENGINEERS AND SPECIALISTS IN COMPUTERS AND COMMUNICATIONS. WE MAINTAIN A HUGE ALL-SOURCE DATA BASE AND PROVIDE OBJECTIVE, NONPARTISAN RESEARCH AND ANALYSIS FOR THE PRESIDENT AND OTHER SENIOR NATIONAL LEADERS.

IT IS IMPORTANT TO REALIZE THAT CIA AND THE INTELLIGENCE COMMUNITY DO NOT MAKE POLICY. YOUR ELECTED OFFICIALS DO. OUR MISSION IS TO PROVIDE THOSE OFFICIALS WITH THE BEST, MOST ACCURATE AND TIMELY INFORMATION ON EVENTS AROUND THE WORLD.

INTELLIGENCE IS OUR FIRST LINE OF DEFENSE. IT MUST IDENTIFY DANGER, EVALUATE THREATS AND PREVENT SURPRISE. IT MUST PRODUCE INFORMATION TO DEVELOP DEFENSE, COUNTERMEASURES AND POLICIES CALCULATED TO MINIMIZE AND AVERT THE DANGERS WE SEE.

THE SOVIET UNION HAS BEEN FROM THE BEGINNING AND CONTINUES TO BE THE MAIN FOCUS OF OUR ATTENTION. IT IS THE ONE COUNTRY

IN THE WORLD THAT HAS THE ABILITY TO DELIVER DEVASTATING NUCLEAR POWER AGAINST US. AND, AS I WILL DEVELOP LATER, IT ALSO HAS A HUGE BATTERY OF OTHER WAYS OF THREATENING AND DAMAGING OUR INTERESTS.

WE WORK HARD TO UNDERSTAND AND DEVELOP INSIGHTS INTO RUSSIAN LEADERSHIP AND OBJECTIVES, ITS PLANS AND PROBLEMS. FOR MUCH THE GREATER PART OF THE LAST DECADE THE SOVIET UNION HAS FUNCTIONED UNDER THE LEADERSHIP OF THREE VERY SICK AND DYING MEN--BREZHNEV, ANDROPOV AND CHERNENKO--ITS POLICIES MOLDED BY A POLITBURO--DOMINATED BY A GERONTOCRACY OF MEN IN THEIR SEVENTIES. FOR SOME MONTHS NOW AS CHERNENKO FADES IN HEALTH AND POWER, THEY SEEM LOCKED IN A SUCCESSION STRUGGLE FEATURING A COMPETITION IN HURLING HOSTILE RHETORIC AT THE UNITED STATES.

WHILE THIS IS GOING ON THEY HAVE TO STRUGGLE WITH AN ECONOMY WHICH HAS BEEN FALTERING FOR SOME YEARS NOW. THEY FACE A GROWING SOCIAL DISINTEGRATION AS THE LIFE EXPECTANCY OF MALES DECLINES SHARPLY, ALCOHOLISM INCREASES--ESPECIALLY AMONG THE YOUNG--HEALTH CARE ERODES AND CRIME AND CORRUPTION GROW. ALL THIS IS QUITE VISIBLE.

STILL, THEY EXPAND A LARGE ARSENAL OF NUCLEAR WEAPONS AIMED AT THE UNITED STATES, WESTERN EUROPE, AND EAST ASIA. NEW MISSILES AND MISSILE-CARRYING AIRCRAFT AND SUBMARINES ARE BEING DESIGNED, DEVELOPED, TESTED, AND DEPLOYED IN AMAZING PROFUSION. THIS IS AUGMENTED BY WORK CARRIED ON OVER THE LAST DECADE TO

IMPROVE THEIR MISSILE DEFENSES. RECENTLY WE HAVE SEEN ALARMING SIGNS OF RADAR DEPLOYMENTS WHICH MAY GO BEYOND THE 1972 TREATY LIMITING MISSILE DEFENSES; AND WE HAVE ALSO SEEN THE TESTING OF INTERCEPTORS AND OTHER ACTIVITIES THAT WOULD GIVE THE SOVIETS A RUNNING START IF THEY DECIDED TO BREAK THE TREATY AND ESTABLISH A NATIONWIDE MISSILE DEFENSE SYSTEM. THIS, OF COURSE, COULD TIP THE STRATEGIC BALANCE AGAINST US.

IN EUROPE, THE WARSAW PACT CONVENTIONAL FORCES OUTNUMBER NATO IN TROOP STRENGTH, IN TANKS, IN GUNS, AND IN PLANES. THESE TOGETHER WITH ANTITANK AND ANTI AIRCRAFT MISSILES AND OTHER SOPHISTICATED CONVENTIONAL WEAPONS ARE BEING DEPLOYED IN AN INCREASINGLY AGGRESSIVE WAY. A GROWING NUMBER OF LONG-RANGE OFFENSIVE MISSILES ARE AIMED AT CAPITAL CITIES AND MILITARY TARGETS IN WESTERN EUROPE.

BUT THE MAIN THREAT FROM THE SOVIETS MAY LIE ELSEWHERE. KHRUSHCHEV TOLD US IN 1961 THAT COMMUNISM WOULD WIN--NOT THROUGH NUCLEAR WAR WHICH COULD DESTROY THE WORLD, OR EVEN A CONVENTIONAL WAR WHICH COULD LEAD TO NUCLEAR WAR--BUT RATHER THROUGH WARS OF NATIONAL LIBERATION IN AFRICA, ASIA, AND LATIN AMERICA. TODAY WE CAN SEE THE RESULTS OF SOVIET SUPPORT FOR SUCH WARS AROUND THE WORLD. LOOK AT HOW THE SOVIETS HAVE EXPANDED THEIR PRESENCE IN THE THIRD WORLD IN A MERE DECADE:

- THEY ARE IN VIETNAM, ALONG CHINA'S SOUTHERN BORDER AND ASTRIDE THE SEA LANES THAT BRING JAPAN'S OIL FROM THE PERSIAN GULF.

- IN AFGHANISTAN, THEY HAVE PLACED THEMSELVES 500 MILES CLOSER TO OILFIELDS OF THE MIDDLE EAST AND THE WARM-WATER PORTS OF THE INDIAN OCEAN.
- THEY ARE INFILTRATING THE HORN OF AFRICA WHICH OVERLOOKS THE SUEZ CANAL, THE PASSAGEWAY THAT CONNECTS THE MEDITERRANEAN SEA AND THE INDIAN OCEAN. THEY HAVE THEIR EYE ON SOUTHERN AFRICA, WHICH IS RICH IN THE MINERALS VITAL TO WESTERN INDUSTRIAL PRODUCTION.
- AND FINALLY, THEY ARE NOW SUPPORTING REVOLUTIONARY MOVEMENTS IN OUR OWN BACKYARD--THE CARIBBEAN AND CENTRAL AMERICA.

THE AREA BETWEEN THE RIO GRANDE AND THE PANAMA CANAL CLEARLY IS THE ONE GLOBAL REGION THE CONTROL OF WHICH BY THE SOVIET UNION WOULD PROVE MOST MENACING TO THE UNITED STATES. THERE IS NO NEED HERE TO DESCRIBE HOW A HOSTILE SOUTHERN BORDER WOULD HAMSTRING THE UNITED STATES IN ITS ABILITY TO MEET ITS GLOBAL COMMITMENTS. BECAUSE CUBA IS NOW A WELL-DEFENDED BASE FOR SOVIET SUBMARINES AND AIRCRAFT, IN ANY FUTURE WAR OUR LOGISTIC SUPPORT OF OVERSEAS COMMITMENTS IS ALREADY CERTAIN TO BE INCOMPARABLY MORE DIFFICULT THAN IT WAS IN THE WORST DAYS OF WORLD WAR II. NOR NEED WE DWELL HERE ON THE SCENARIO OF A TWILIGHT STRUGGLE AGAINST LATIN TERRORISTS IN AN AMERICAN SOUTHWEST SWOLLEN BY REFUGEES, AND ON THE SOCIAL CONSEQUENCES

OF SUCH A STRUGGLE. LET US SIMPLY NOTE THE CONCLUSION OF THE KISSINGER COMMISSION TO THE EFFECT THAT RELATIVELY LITTLE STANDS IN THE WAY OF THE SOVIET DRIVE TO ISOLATE THE UNITED STATES IN ITS OWN HEMISPHERE--AND THAT NICARAGUA IS THE CONTINENTAL SPEARHEAD OF THAT DRIVE. AS THE SOVIETS WITH CUBAN, EAST GERMAN, NORTH KOREAN HELP TO ENFORCE THE BREZHNEV PEOPLE DOCTRINE--ONCE COMMUNIST ALWAYS COMMUNIST--SUBJUGATED PEOPLE ARE RESISTING.

TODAY IN AFGHANISTAN, ANGOLA, CAMBODIA, ETHIOPIA, AND NICARAGUA, TO MENTION ONLY THE MOST PROMINENT ARENAS, THOUSANDS OF ORDINARY PEOPLE ARE VOLUNTEERS IN IRREGULAR WARS AGAINST THE SOVIET ARMY OR SOVIET-SUPPORTED REGIMES. WHEREAS IN THE 1960s AND 1970s ANTI-WESTERN CAUSES ATTRACTED RECRUITS THROUGHOUT THE THIRD WORLD, THE 1980s HAVE EMERGED AS THE DECADE OF GUERRILLAS RESISTING COMMUNIST REGIMES. MORE THAN A QUARTER OF A MILLION PEOPLE HAVE TAKEN UP ARMS AGAINST COMMUNIST OPPRESSION IN THESE COUNTRIES.

TO IMPLEMENT ITS OVERALL STRATEGY, THE SOVIETS USE THE WORLDWIDE APPARATUS OF THE KGB, PLUS SOME 70 NON-GOVERNING COMMUNIST PARTIES, PLUS PEACE AND FRIENDSHIP ORGANIZATIONS ALL OVER THE WORLD DIRECTED FROM MOSCOW, PLUS THE EAST GERMAN, CUBAN AND OTHER BLOC INTELLIGENCE SERVICES--ALL WORKING TO STEAL OUR TECHNOLOGY, TO DAMAGE OUR REPUTATION, TO DIVIDE US FROM OUR FRIENDS, TO DESTABILIZE, SUBVERT AND OVERTHROW

GOVERNMENTS FRIENDLY TO US. THE CIA IS THE ORGANIZATION IN THE FREE WORLD MOST CAPABLE OF DEALING EFFECTIVELY WITH THIS ENORMOUS APPARATUS AND FRUSTRATING ITS OBJECTIVES.

OVER THE LAST YEAR, THE KGB HAS TAKEN THE WORST SHELLACKING IN ITS HISTORY AS WELL OVER 100 SOVIET INTELLIGENCE AGENTS DEFECTED OR WERE EXPelled FROM OVER 20 COUNTRIES ON ALL CONTINENTS.

RUMORS, AGENTS OF INFLUENCE, KEPT PRESS AND RADIO FACILITIES AND FORGERIES SPREADING POISON AROUND THE WORLD NEED TO BE SPOTTED AND COUNTERED. TERRORISM IS A NEW WEAPONS SYSTEM AND IT WORKS TO DISSOLVE THE BOUNDARY BETWEEN WAR AND PEACE. WE'VE SEEN IT MOVE FROM PLASTIC CHARGES, TO ASSASSINATIONS, TO HIGHJACKING, TO CAR BOMBS AND WE WORRY ABOUT NUCLEAR AND BIOLOGICAL TERRORISM. TERRORISM HAS A HOME IN NORTH KOREA, IRAN, LIBYA, BULGARIA. IT IS INCREASINGLY USED AS A FOREIGN POLICY INSTRUMENT OF FOREIGN STATES. THIS WEAPONS SYSTEM, THIS FOREIGN POLICY INSTRUMENT MUST NOT BE ALLOWED TO WORK. THE IMPLICATIONS ARE TOO OMINOUS. TODAY THERE IS NO MORE URGENT TASK FOR STATESMANSHIP THAN TO DEVELOP A RATIONAL WAY TO CHECK RAMPANT TERRORISM THROUGH IMPROVED SECURITY, INTELLIGENCE GATHERING, RETALIATIONS AND PREEMPTION AGAINST SPECIFIC TARGETS, POLITICAL ISOLATION AND ECONOMIC SQUEEZE ON STATES SPONSORING TERRORISM, AND ALL OTHER SENSIBLE MEASURES. TO BE EFFECTIVE THE RESPONSE TO TERRORISM MUST BE A CONCERTED ONE ON THE PART OF ALL CIVILIZED AND PEACE-LOVING STATES.

NARCOTICS IS ANOTHER PROBLEM THAT IS ENGAGING MORE AND MORE OF OUR ATTENTION. U.S. CITIZENS SPEND BETWEEN \$50 AND \$80 BILLION A YEAR IN ILLEGAL DRUGS. THERE IS A STEADY FLOW OF DRUGS INTO THE UNITED STATES FROM SOUTH AMERICA, THE GOLDEN TRIANGLE OF SOUTHEAST ASIA, FROM AFGHANISTAN, PAKISTAN, AND IRAN. AND THE FLOW IS INCREASING.

THE METHODS BY WHICH DRUG SMUGGLERS BRING NARCOTICS INTO THIS COUNTRY DEFY THE IMAGINATION. SOME OF THE HUGE AMOUNTS OF MONEY BEING MADE IN DRUGS ARE USED TO FINANCE TERRORISTS AND REVOLUTIONARY POLITICAL GROUPS AROUND THE WORLD.

WE IN THE INTELLIGENCE COMMUNITY ARE COMMITTING ADDITIONAL RESOURCES TO COLLECTING INFORMATION ABOUT NARCOTICS AND DEDICATE MORE PEOPLE TO ANALYZING THAT INFORMATION. AND WE CONTINUE TO IMPROVE COORDINATION BETWEEN OURSELVES AND THE LAW ENFORCEMENT AGENCIES.

ANOTHER CHALLENGING INTELLIGENCE QUESTION WE FACE IS DETERMINING THE STATE OF SOVIET TECHNOLOGY AND SCIENCE AND THE POTENTIAL FOR MILITARY AND STRATEGIC TECHNOLOGICAL SURPRISE.

IN SOME TECHNOLOGY AREAS, SOVIET CAPABILITY RIVALS OUR OWN; ALTHOUGH THE PERIODIC ESTIMATES WE PRODUCE SHOW THAT THE U.S. REMAINS IN THE LEAD IN MOST CRITICAL CATEGORIES. HOWEVER, WE CANNOT AFFORD TO BE COMPLACENT. SOVIETS ARE MAKING REMARKABLE PROGRESS AND THEY ARE DOING IT WITH OUR HELP.

DURING THE LATE 1970s, SOVIETS GOT ABOUT 30,000 SAMPLES OF WESTERN PRODUCTION EQUIPMENT, WEAPONS, AND MILITARY COMPONENTS AND OVER 400,000 TECHNICAL DOCUMENTS, BOTH CLASSIFIED AND UNCLASSIFIED. THE MAJORITY OF THIS MATERIAL CAME FROM THE U.S.; SOME CAME FROM WESTERN EUROPE AND JAPAN.

HOW DO THE SOVIETS GET SO MUCH OF OUR TECHNICAL KNOW-HOW? FIRST, THEY COMB THROUGH OUR OPEN LITERATURE, BUT THROUGH LEGAL CHANNELS, ATTEND OUR SCIENTIFIC AND TECHNICAL CONFERENCES, AND SEND THEIR STUDENTS HERE TO STUDY. SECOND, THEY USE DUMMY FIRMS IN SOPHISTICATED INTERNATIONAL DIVERSION OPERATIONS, SOME LEGAL, SOME ILLEGAL, TO PURCHASE WESTERN TECHNOLOGY. WE KNOW OF SOME 300 FIRMS OPERATING FROM MORE THAN 30 COUNTRIES WORLDWIDE ENGAGED IN THESE TRADE DIVERSION SCHEMES.

IT IS CLEAR THAT THE U.S. AND OUR WESTERN ALLIES MUST TAKE STEPS TO PROTECT OUR MILITARY, INDUSTRIAL, AND SCIENTIFIC COMMUNITIES. WE MUST KEEP TWO OBJECTIVES IN VIEW. FIRST, WE MUST SEEK TO KEEP OUR TECHNOLOGICAL LEAD-TIME OVER THE SOVIETS IN VITAL DESIGN AND MANUFACTURING KNOW-HOW. SECOND, WE MUST CONTROL THE EXPORT AND MANUFACTURING OF INSPECTION AND AUTOMATIC TEST EQUIPMENT THAT ENABLES THE SOVIETS TO OVERCOME THEIR OWN DEFICIENCIES IN MILITARY INDUSTRIAL PRODUCTION.

BUT I DON'T WANT TO LEAVE YOU WITH THE IMPRESSION THAT THE ONLY CHALLENGES THE UNITED STATES FACES ARE MILITARY THREATS. AS BUSINESSMEN YOU ARE ONLY TOO AWARE THAT U.S. INDUSTRY FACES TOUGH COMPETITION AROUND THE WORLD.

AMERICAN BUSINESS IS BEING CHALLENGED BY NEWLY INDUSTRIALIZING COUNTRIES SUCH AS SINGAPORE, SOUTH KOREA, TAIWAN, AND BRAZIL. THESE FAST-RISING STARS ARE AGGRESSIVELY RESHAPING THEIR INDUSTRIES FROM PRODUCING SIMPLE, LABOR-INTENSIVE GOODS TO NEW, HIGH-GROWTH TECHNOLOGY. LOWER LABOR COSTS AND GOVERNMENT SUBSIDIZATION OF MANUFACTURING WILL MAKE THEM TOUGH MARKET COMPETITORS.

THE NEAR-TERM ECONOMIC IMPACT OF GROWING COMPETITION AND TECHNOLGICAL CAPABILITY IN OTHER COUNTRIES IS FAMILIAR TO ALL OF US--LOSS OF JOBS, FOREIGN TRADE DEFICITS, ETC. WE IN THE INTELLIGENCE COMMUNITY MUST ALSO ASK ONE ADDITIONAL QUESTION-- WHAT ARE THE STRATEGIC IMPLICATIONS OF THE LOSS OF U.S. TECHNOLOGICAL AND MARKET LEADERSHIP?

THE FACT THAT ADVANCED TECHNOLOGY IS AVAILABLE OUTSIDE OF THE U.S. DIMINISHES OUR ABILITY TO LIMIT ITS FLOW TO COUNTRIES WITH INTERESTS THAT ARE INIMICAL TO OURS. MOREOVER, OTHER COUNTRIES' DEVELOPMENT OF TECHNOLOGIES MORE ADVANCED THAN THE U.S. COULD LEAD TO GROWING U.S. DEPENDENCY ON FOREIGN SOURCES AND SUPPLIES, FOR COMPONENTS OR SUB-ASSEMBLIES USED BY OUR MILITARY. THE U.S. IS ALREADY HEAVILY DEPENDENT ON JAPAN FOR HIGHLY RELIABLE CERAMIC PACKAGES FOR INTEGRATED CIRCUITS. IF U.S. COMPANIES LOSE THEIR COMPETITIVE POSITION IN HIGH TECHNOLOGY SECTORS, OUR FIRMS COULD WITHDRAW FROM MARKETS OR ELECT NOT TO DEVELOP A FUTURE GENERATION OF PRODUCTS. MILITARY PROGRAMS,

AS A RESULT, SIMPLY MAY NOT HAVE A TALENT POOL AND THE RELEVANT EXPERIENCE TO DRAW UPON TO DEVELOP AND MANUFACTURE FUTURE WEAPONS SYSTEMS. THIS IS OF SPECIAL CONCERN IN THE MACHINE, TOOL, AND SEMICONDUCTOR INDUSTRIES. SO YOUR INTEREST AS BUSINESSMEN ABOUT TRADE IMBALANCES AND OUR CONCERN FOR NATIONAL SECURITY DO OVERLAP.

AS I HAVE JUST OUTLINED, TODAY OUR NATIONAL LEADERS FACE A DIVERSE AND SOMETIMES BEWILDERING ARRAY OF CHALLENGES--THE VIOLENCE OF SMALL TERRORIST GROUPS, DESTABILIZATION BY FOREIGN-BACKED INSURGENCIES, AND EVEN OUTRIGHT AGGRESSION. TO DEFEND OUR NATIONAL INTERESTS, OUR LEADERS NEED MULTIPLE CAPABILITIES AND OPTIONS RANGING FROM NEGOTIATIONS AND EMBARGOES TO COVERT MILITARY ACTIONS AND EVEN THE ABILITY TO THREATEN AND USE MILITARY FORCE. THESE ARE THE INSTRUMENTS OF STATECRAFT WHICH OUR NATIONAL LEADERS MUST HAVE AT THEIR DISPOSAL IF THEY ARE TO CAREFULLY TAILOR RESPONSES TO THEIR EVALUATION OF OUR NATIONAL INTERESTS.

WHAT WE NEED AS A NATION IS TO DEVELOP A CONSENSUS ON THE OBJECTIVES OF OUR FOREIGN POLICY. WE NEED A FOREIGN POLICY THAT IS BOTH BI-PARTISAN AND STABLE. SUCH A FOREIGN POLICY MUST BE DEVELOPED BY THE EXECUTIVE BRANCH IN CLOSE CONSULTATION WITH KEY MEMBERS AND COMMITTEES OF CONGRESS AND IN OPEN PUBLIC DEBATES SO THAT THE PRESIDENT HAS THE NECESSARY

SUPPORT AT CRUCIAL MOMENTS. GREAT LOSING BATTLES OVER THE OBJECTIVES OF OUR FOREIGN POLICY, PLAYED OUT ON THE WORLD STAGE AT CRITICAL TIMES, REPRESENT DEVASTATING SETBACKS FOR THE U.S. AND PROPAGANDA FODDER FOR OUR ADVERSARIES. WITHOUT A SUSTAINED CONSTANT POLICY--ONE THAT TRANSCENDS INEVITABLE POLITICAL CHANGE--WE CANNOT COUNTER THE RELENTLESS PRESSURE OF THE SOVIETS OR HELP BRING PROGRESS TO THE THIRD WORLD. IN A DEMOCRACY THERE IS NO SUBSTITUTE FOR A FULLY-ARTICULATED, VIGOROUSLY-DEFENDED POLICY.